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THE ASSETS OF THE UNITED STATES

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If the people of the United States should decide to abandon their present form of government and organize as a corporation, what would be the value of the assets of the new company, provided all the present possessions of the people were turned over to it? If such an organization was effected and a balance sheet was prepared after a careful appraisal, or stock taking, would the statement sustain the boastful claims of those who for political effect or for other purposes now assign a value to our national possessions, which is much in excess of one hundred billion dollars, or would it reveal the fact that current estimates of our national wealth are greatly exaggerated and that when we point with pride to our riches we are relying, as do some modern corporations, as much upon water or wind as upon actual possessions?

Before attempting to answer these inquiries, it is worth while to ask of what do our possessions consist? The answer must be: They are the material things in our country having a present value for the purposes to which they are applied, and for which they are used or are being held for use. They are the lands utilized for various purposes but not the deeds, mortgages, and other paper evidences of their ownership. They are railroads, factories, mines, stores, stocks of goods, and live stock, but not the stocks and bonds which measure the equities of their holders in the properties mentioned. They are the products of agriculture, manufactures, mines, forests, and fisheries, held as raw material for manufacture or as food, clothing and ornament, or as implements and machinery, but not the warehouse receipts issued to their owners.

The statisticians of the United States Census and many others have made appraisals of the national wealth and their state-

ments thereof are the exhibits of assets which would be used in a balance sheet such as has been mentioned in the opening paragraph. These appraisals are as follows for 1904 and 1900:

CENSUS ESTIMATES OF WEALTH FOR 1904 AND 1900

Forms of Wealth	1904	1900
Total.....	\$107,104,211,917	\$88,517,306,775
Real property and improvements taxed....	55,510,247,564	46,324,839,234
Real property and improvements exempt...	6,831,244,570	6,212,788,930
Railroads and their equipment.....	11,244,752,000	9,035,732,000
Street railways.....	2,219,966,000	1,576,197,160
Telegraph systems.....	227,400,000	211,650,000
Telephone systems.....	585,840,000	400,324,000
Pullman and private cars.....	123,000,000	98,836,600
Shipping and canals.....	846,489,804	537,849,478
Privately owned waterworks.....	275,000,000	267,752,468
Privately owned central electric light and power stations.....	562,851,105	402,618,653
Live stock.....	4,073,791,736	3,306,473,278
Farm implements and machinery.....	844,989,863	749,775,970
Agricultural products.....	1,899,379,652	1,455,069,323
Manufacturing machinery, tools, and implements.....	3,297,754,180	2,541,046,639
Manufactured products.....	7,409,291,668	6,087,151,108
Imported merchandise.....	495,543,685	424,970,592
Mining products.....	408,066,787	326,851,517
Gold and silver coin and bullion.....	1,998,603,303	1,677,379,825
Clothing and personal adornment.....	2,500,000,000	2,000,000,000
Furniture, carriages, and kindred property.	5,750,000,000	4,880,000,000

The appraisal for 1904 was much in excess of one hundred billion dollars and, if correct, sustains the claims of vast actual possessions to which reference has already been made. Are these appraisals exaggerated or do they represent such valuations as would be accepted by any conservatively managed corporation in preparing its annual balance sheet? The data supplied by the Bureau of the Census and by various national, state, and municipal records enable the student of the subject to obtain a fairly correct answer to these inquiries.

The appraisals here given may be tested by similar ones prepared by the Census Office in previous years when different methods were employed by other officials in estimating national wealth. Such estimates have been prepared for each census year since 1850. In 1850 the national wealth was estimated as \$7,135,-780,228; in 1860 as \$16,159,616,068; in 1870 the estimate made

on a currency basis of the time when reduced to a gold basis was \$24,054,814,806; in 1880 that value on the same basis was \$43,642,000,000; in 1890, \$65,037,091,197; in 1900, \$88,517,306,775; and in 1904, \$107,104,211,917. From 1850 to 1860 the average family in the United States according to the foregoing estimates was instrumental in adding \$180 per annum to our national wealth. The corresponding additions in the next ten years with the waste and destruction of the Civil War was \$120. For the twenty years from 1870 to 1890 the average annual additions per family was \$184, and from 1890 to 1904, \$182. According to these appraisals the average annual additions made to our national wealth have been quite uniform for the last half-century. These additions reflect three very important factors: (1) the creation of new forms of wealth as the result of human labor; (2) the appreciation in value of all property as the result of the world-wide influence of the increased and increasing supply of gold and silver which began to be felt immediately after the discovery of gold in Australia and California just prior to 1850; and (3) the appreciation of property in cities and towns due to the growth of population. The latter is generally spoken of as the unearned increment of real property. The uniformity in the figures for additions due to these three factors during fifty years is evidence that if the census appraisals of 1904 are incorrect the error is one which has affected all the previous national appraisals; which have been accepted by economists the world over without question.

The census appraisals are based upon data which are accessible to all statisticians and economists. On the basis of those data a number of statisticians prior to the publications of the census figures prepared estimates of the national wealth for 1898 and 1900. Of such estimates mention is made of those prepared by the English statistician, Michael G. Mulhall, and the leading American statistician, Carroll D. Wright, for many years Commissioner of Labor. These as well as all similar estimates were larger than the census appraisal of 1900. The facts mentioned in the preceding paragraph indicate that the census appraisals of 1900 and 1904 were in harmony with the earlier

census estimates and the fact here mentioned indicates that if in error the census figures, when judged by the conclusion of other current statisticians, are too small rather than too large.

The most important item of wealth which must enter into the appraisals of national wealth is that of real property. In its estimate of the value of this property the census excludes that portion used by railroads and a number of other industries. Exclusive of this realty the census estimated the value of real property at \$39,541,544,333 in 1890; \$52,537,628,164 in 1900; and \$62,341,492,134 in 1904. The above-mentioned real property as appraised constitutes 60.2 per cent. of all estimated wealth in 1890. This percentage in 1900 was 59.3, and in 1904, 58.2. Of this real property a portion consists of lands and buildings used for governmental purposes by the United States, states, and municipalities, and lands and buildings owned by churches, hospitals, and other private charities. This property was exempt from taxation. The remaining real property subject to taxation had an appraised value in 1890 of \$35,711,209,108; in 1900 of \$46,324,839,239; and in 1904, \$55,510,247,564. These valuations may well be compared with those of the tax lists. Those lists assigned the same property the valuation of \$18,956,556,675 in 1890; \$23,376,840,587 in 1900; and \$30,089,818,672 in 1904. The tax-list valuation was 53.1 per cent. of the census appraisal of 1890. The corresponding percentage in 1900 was 50.4 per cent., and in 1904, 54.2. Expressed in other words, these percentages indicate that the census appraisal of real property was nearly twice the nominal valuation of the same property appearing on the tax list of the several states and territories. But the nominal valuation there given is not in all states the valuation which the local assessor made of such property. In Iowa the assessors are directed by the statutes to appraise property at its real value and to enter one-fourth of that value on the tax list. If the law is observed the tax-list valuation would be 25 per cent. of the true value. But the custom of the local assessor is to make the first appraisal 80 per cent. of the selling value and the tax-list valuation is thus only 20 per cent. of the true value. Similar variations exist in all states between

the true value of real property and the valuation of the same entered on the tax list. In some states the variation is small and in others it is very marked. Before making its appraisal the census ascertained the ratio between the tax-list valuation and the true value of the real property in each one of the 2,800 counties and in all the principal cities of the United States. Based on the information thus obtained, and on the valuation of the tax lists of the several counties, the census made its appraisal of real property. The correctness of that appraisal is measured by the accuracy of figures used for the several counties and states as a ratio between the tax-list valuation and the true value. Did the census use correct or incorrect ratios, and by using the latter assign to real property a greater value than its worth, or in other words, greater than it could be sold for under average conditions? Upon the answer to this inquiry will depend in large measure the answer to the inquiry stated in the opening paragraph of this paper.

Of the taxable real property of the United States about 60 per cent. is located in cities, villages, and places, and consists of city and town lots and the structures thereupon, and 40 per cent. is located outside the cities, towns, and places, and consists of farms and other land assessed as acre property. For each of the 5,700,000 farms whose lands constitute the major portion of this acre property the census enumerators secured statements of the value of lands and buildings. As in all preceding censuses, in this work each farmer was his own appraiser. All the available information obtained in the last fifty years indicates that this appraisal, like all which preceded it, while doubtless faulty in individual cases is on the whole very exact and thus trustworthy. Comparing that data with the tax lists, it is possible to compute the ratio of true value to tax-list valuation of all acre property in the United States. Further, that ratio is approximately the true ratio between the value of all real property and the tax-list valuation in 2,500 of the 2,800 counties. It was on the basis of this appraisal of the farms and buildings of the farms that the census predicated the greater portion of its

appraisal of all real property. The general accuracy of this appraisal may be noted by the following facts:

The state authorities of Ohio and Iowa in 1900 collected information concerning the selling price and assessed valuation of all real property sold in the year mentioned. In Ohio the information collected indicated that the tax-list valuation of acre property was 57.3 per cent. of the selling price of the land sold. The census computations of true value of all acre property based upon the farmers' appraisals of this land indicated that the assessed valuation of all lands in the state constitute 56.5 per cent. of the true value of these lands. The corresponding per cents. in Iowa were 20.1 and 20.2, respectively. These records of land sales indicated that the census methods of estimating the value of acre property was correct within a very narrow limit and if in error it was by being too small rather than too large. The same test confirms in a general way the census estimates of real property other than acre in 2,500 of the 2,800 counties. In the other counties the method of appraisal above described had to be modified by one of a number of other methods.

The United States Department of Agriculture in 1905 made very extensive inquiries concerning the value of agricultural real property in the various states. The results of that investigation indicated (1) that farm lands had a greater average value in 1900 and 1904 than was assigned them by the census returns, and (2) that all real property increased in selling value more between 1900 and 1904 than was reflected in the excess valuation of the census in the latter years over that in the former. This investigation concerning the value of agricultural land in all states confirms in a general way the deductions made from the records of land sales in Ohio and Iowa and from the estimates of other statisticians that, if in error, the census appraisals are two small rather than too large.

The same conclusion is reached by comparing the census estimates of real property with the tax-list valuations in states such as Massachusetts, in which there is an excellent administration of tax laws and an honest effort is made to assess real property at its true value. In this state the census

appraisal exceeds the assessors' valuation by only 10 per cent. and if the assessors' valuation is a true statement of the value of realty, the census estimate is excessive by a small margin of 10 per cent. But the bankers and business men of Massachusetts in stating their judgment of the assessment of property for financial journals report substantially the same margin between true value and assessed valuation as is shown by the census estimates. Further, it is well known that the great majority of assessors regard as the true value of property for assessment purposes the amount at which it could be sold at a forced sale and there is more than 10 per cent. difference between this amount and the valuation at which the average man holds his lands and buildings. An analysis of the known facts concerning the methods of assessment and the assessed valuation in the other states and a comparison of the valuation mentioned with the census appraisal leads to substantially the same deduction as in the case of Massachusetts. If excessive, the census estimates cannot be in error to exceed 5 or 10 per cent. but the mass of facts available point to an error in the opposite direction. This last statement is most applicable to the census appraisal of 1904 as is evidenced by a fact already mentioned. In 1900 the tax-list valuation was 50.4 per cent. and in 1904 it was 54.2 per cent. of the census value. In the intervening years the tax-list valuations increased 29.3 per cent. while the census valuation for 1904 was only 19.8 per cent. greater than in the year previously mentioned.

The value of railroads, street railways, telegraph and telephone systems, Pullman and private cars, and privately owned electric light and power stations was estimated upon the basis of the selling price of bonds and stocks in the years 1900 and 1904, after making provision for the securities of some companies held by others. The census appraisals of railroads may be compared with the par value of the stocks and bonds upon the railroad company's books as the same was reported by the Interstate Commerce Commission. The census appraisals of the value of railroads and their equipment in 1900 and 1904 were \$9,035,732,000 and \$11,244,752,000, respectively. The railway capital

reported the same years by the Interstate Commerce Commission was \$11,491,034,960 and \$13,213,124,679. Further, the books of the railroad company in 1904 showed \$13,583,276,128 of assets exclusive of stocks and bonds. Judged by these figures the census estimates were at least not excessive. Similar exhibits for the other industries for which estimates were made and of which the figures are given in the earlier part of this paper will disclose the same general situation. The combined stock and bond issues or the aggregate of assets other than those of allied corporations held by them are in each case materially in excess of the census appraisals.

The census figures for live stock, farm implements and machinery, manufacturing machinery, tools and implements were in 1900 obtained directly from the owners. The same is true of the manufacturing machinery, tools and implements for 1905. The values given are the appraisals of the owners of the property mentioned. The method employed for securing statements of this value was the same as has been used since 1850 and which has provided data which have always been accepted as substantially correct. The manufacturing figures for 1904 were based upon returns for 1905 and included four-fifths of the increase recorded by the census of 1905 over that of 1900. The value of gold and silver coin and bullion included in the census total is that which is furnished the country by the Director of the Mint from the data in his possession.

The agricultural crops of a preceding year on hand and the value of growing but unharvested crops were estimated at 20 per cent. of the value of the preceding year's crops not fed to live stock. The manufacturing and mining products and imported merchandise on hand were estimated at one-half of those produced or imported during a single year. The clothing and personal adornment in the possession of the people was assigned a value equal to the value of similar articles produced and sold in one year and the value of furniture, carriages, and kindred property was equal to that manufactured and sold in three years. Results obtained from estimates prepared on the basis mentioned were checked by those secured from other

methods, such as have been employed in previous census investigations.

The aggregate of all the wealth of the nation may be tested by the statements found from time to time in the daily papers and magazines concerning the number of our millionaires and the aggregate of their possessions. If the statements referred to are trustworthy and the census has given a correct estimate of wealth, then the deductions usually made from such statements are correct. There is an intense concentration of wealth in the hands of a few. The millionaires own nearly as much wealth as the census shows to exist in the country. If, on the other hand, we start with the value of farms and other homes which are known to be owned by men of small possessions, the savings bank deposits and other known possessions of those of moderate means and then add the lowest popular estimates of the possessions of our millionaires, we have an aggregate far in excess of the census appraisal of national wealth and the conclusion under such circumstances is irresistible either that the census estimates of national wealth are ridiculously small or the popular estimates of the wealth of our millionaires are greatly exaggerated.

The writer does not find any evidence that would justify either statement that our national wealth is grossly understated or that our millionaires own so large a share of that wealth as to leave the great majority without property. But the facts passed in review when considered in connection with the many studies that have been made by our journalists and economists make it certain that the census appraisals of our national wealth are not excessive and if in error these appraisals are too small rather than too large. These appraisals when arranged so as to disregard the transient depressing effect of the hard times of 1893 to 1897 and the opposite influence of the boom years of 1903 to 1906 give evidence that our annual increment of national wealth is not less than two and one-half and not over three billion dollars. On the basis of the smaller figures and the assumption of the general correctness of the census appraisals the national wealth of the United States in 1908 is at least 117

billion dollars, while the corresponding value on the basis of the large figures is approximately 120 billion dollars.

In comparing its estimates of the value of the lands, buildings, and other material possessions of the United States, the Bureau of the Census takes no account of private or public indebtedness. It assumes that mortgages and other private debts do not add to or lessen the aggregate value of farms, shops, railways, and other forms of wealth, although they do determine the equitable ownership of such wealth. In like manner it assumes that public indebtedness need not be considered in estimating the amount of material wealth. The assumption mentioned with reference to private debts has not been questioned, so far as the writer has knowledge, but it has been questioned with reference to public debts. One class of critics has claimed that the estimate of national wealth as prepared by the census should be increased and the other class that it should be decreased by the amount of national, state, and local governmental indebtedness. The importance of this difference of opinion may be noted from the fact that in 1902 the total indebtedness of the United States was \$2,789,990,120. Of this aggregate, the national debt was \$925,011,637; the state debt, \$234,908,873; county debt, \$196,564,619; and the debt of cities, towns, and other minor civil divisions, including school districts, was \$1,433,504,991. The aggregate of this indebtedness in 1900 was probably not far from \$2,600,000,000; in 1904, \$3,000,000,000; and in 1908, \$3,300,000,000. If this indebtedness is considered in appraising the national wealth and its amount added to the census figures, the totals for such wealth previously given must be increased by the foregoing stated amount, while if it should be deducted, those totals would be correspondingly decreased.

Those who criticize the census for preparing too small estimates urge that public indebtedness acts upon the selling value of private property as a mortgage debt does upon the value of the equitable interest of a property owner, and, hence, the true value of property is ascertained only when the private selling value is added to the equity of the bond holders. This addition not having been made by the census, its estimates of national wealth are

according to one class of critics too small by the amount of the public indebtedness.

The facts on which the other class of critics base their assertion that the census estimates are exaggerated all relate to proprietorship, a subject quite apart from that which was investigated by the census. That subject is, however, an important one and as a whole well worthy of consideration. Prior to 1890 the American public securities and the stocks and bonds of private American corporations were held in large amounts abroad and but few foreign securities were held in this country. A change in this respect has been taking place in the past twenty years and the amount of foreign securities held in the United States cannot fall short of that of American securities held abroad by more than one or two billion dollars and the wealth of the country probably exceeds the wealth owned by its citizens by one of the amounts last mentioned. Allowance should be made for this difference in estimating the wealth of the citizens of the United States but not in preparing such estimates as those of the census of the value of property located in the country.